

**STATE OF VERMONT
CONSTRUCTION and/or
DEVELOPMENT in PROCESS FORM
JUNE 30, 2016**

CAFR-4 Form: Complete this form to report the cost of construction or development work undertaken, but not yet complete that will result in a capitalized asset. Construction-in-process refers to tangible assets such as buildings, building improvements, and infrastructure. Development in process refers to intangible asset such as websites and software development. The acronym "CIP" used within these reporting instructions refers to both construction and development work. A CIP project is not depreciated until the asset is placed in service. Once the CIP project is complete, the CIP cost is retired and the cost is reclassified to the proper asset classification (land, building, software...). Projects that were started, completed and added as an asset in the Asset Management module within the current fiscal year do not need to be included on this form.

Completed projects must be capitalized and recorded in the Asset Management Module after the constructed asset is accepted and ready for its intended use. Software/development projects should be recorded as a depreciable assets following the go-live date which is also defined as when the system is put into "production". Special attention should be given to major computer software system projects that may have multiple layers of development. It is possible for one project to be considered substantially complete, while at the same time another project is still under development. Projects that have multiple "go-live" dates should be tracked and reported separately.

Prior to entering the fixed asset/software in VISION that resulted from a CIP project being completed and place in service. The in-service date (transaction date) must be determined and coincide with the "constructed asset is accepted and ready for its intended use". The in-service date should be supportable. For instance, the Certificate of Substantial Completion letter is used to support the in-service date for building construction. Also, verify the depreciation is correct especially if the asset is added in VISION months following the in-service date to ensure all prior period depreciation is calculated. Include the asset ID from VISION on the CAFR-4 Form for all projects completed and reclassified to building, machinery and equipment, or other.

New this year- The CAFR-4 Beginning balance form has been updated to include the start date for each project listed as well as the beginning balance to use when completing the form. The purpose is for each department to do a thorough review of the CIP balance to ensure only costs directly allocable to the project are being capitalized and that completed projects/phases have been retired from CIP and added as an asset prior to year-end.

The Capital Assets Procedure & Guidelines (VISION Procedure #1) and the Intangible Assets Implementation Guide on the F&M website provides additional definitions and guidance on tracking and reporting costs. Please review these procedures prior to completing the form.

For construction include all the costs incurred to-date to construct the asset and associated charges such as; legal and title fees, closing costs, appraisal fees, surveying fees, land preparation costs, demolition costs, and transportation.

For internal generated intangible assets (software/website development) include design, configuration, coding, installation, testing, and data conversion costs. Constructing and Configuration Hosting fees during the application (development) stage, and direct personal services related directly to the project's

development should be included in cost of development. Only costs directly associated with the project should be included in CIP. For example, the costs leading up to selecting a vendor should not be included in CIP. Feasibility studies, evaluating alternatives, and the final selection process are considered preliminary stage costs, and should be excluded from CIP. Likewise, the cost of training employees should not be capitalized because the cost is not considered necessary to place the asset into its "intended location and condition for use". In other words, the asset may be ready for use even if the employee is not ready. Employee training is considered "post-implementation" and should be expensed.

Departments are responsible for maintaining documents in support of the in-service date, value, term and life expectancy of the asset. For audit purposes the working papers include source documents such as Certificate of Substantial Completion, contracts, invoices, and payroll records. Departments should have a formal policy or documented procedure in place on for recording, monitoring and safeguarding fixed assets. Departments may contact F&M anytime during the year to make sure project costs being tracked according to generally accepted accounting principal and to ensure accurate CAFR reporting.

Along with the CAFR4 Form, the FY Expenditure tab must be completed. Enter the FY16 expenditure detail from VISION on the FY Expenditure tab to show support for the cost of the project. An accounts payable query to extract the data for the FY Expenditures is the VT_AP_ACCR_EXPENDITURE_DST; or VT_ACCOUNT_EXP_ALLFIELDS_DTL to capture payroll or other source journals. The beginning balance expenditure tab is optional, but you may want to show the detail from last year as part of your ending balance review.

The instructions below will help you summarize the data on the form.

Construction/Development in Process Form – CAFR-4

Be sure to complete Business Unit Number and Department Name in top right corner

1. Please complete the schedule on first tab called CAFR4 Form (continue on Sheet 2 if needed) for **all projects where there is Construction/Development in Process activity.**
2. Do NOT fill in the gray shaded areas – these cells contain formulas and are protected.
3. Provide cost detail incurred in the current fiscal year (FY Expenditures tab).
4. All forms must be approved by an authorized person.
5. Complete the Certification Sheet. By completing this sheet and submitting it electronically from your state email account, it is considered electronically signed and approved by the authorized individual.

Columns on CAFR-4 form include:

- Description – include the name of the project or a description of the asset being constructed or developed.
- Fund – separate projects with multiple funding sources onto separate lines.
- DeptID – separate projects with multiple DeptID's onto separate lines.
- Project ID/Other – Define how the project costs are being tracked; project ID, vendor, contract...
- Start Date – Enter the start date of project; when construction began or contract development commenced.
- Beginning Balance/Expenditures to Date – this should include all capital expenditures associated with the project as of June 30, 2015. The amount entered should equal last year's ending balance also found on the F&M website.

- FY Expenditures – all expenditures incurred during the current fiscal year (2016). The VISION Transactions supporting the amount entered must be provided on the FY Expenditures Tab included on form.
- Amount Capitalized – If the project was completed in the current year, then show the amount capitalized in Asset Management module. Report the “Asset ID” in column N.
- Amount Expensed – total amount that will be expensed when the rest of the project is to be capitalized or to correct the current year CIP balance.
- Balance June 30 – this is a calculated CIP balance (Beginning CIP balance plus FY expenditures less amount capitalized less amount expensed); this balance will be the beginning balance on next year’s form.
- Scheduled Completion Date – This is to confirm the cost reported at year end is still in CIP because the project is not yet substantially complete and ready to be placed in service.
- In-service date - For construction projects this may be the date indicated on the Substantial Completion Letter; for software this may be the actual go-live date/production date. This date is important to auditors because it establishes the start of the asset’s depreciation.
- Asset ID – this is the AM asset ID associated with the completed project that was entered in the Asset Module and not the CIP ID. The Asset Id is used to verify the asset’s chartfields and depreciation associated with the addition. For those incomplete projects, enter “N/A”.

If there are any questions, please e-mail VISION.CAFR@vermont.gov
 The completed form should be e-mailed to VISION.CAFR@vermont.gov